

West Coast Power LLC

CEC Docket No. 03-IEP-1 2003 Integrated Energy Policy Report 2004 Update Aging Power Plant Study

Sacramento, CA

March 24, 2004

WCP Generation Fleet Summary

Plant	Generating Units/Blocks (Type)	Output	Installed	2003a Heat Rate Btu/kWh
El Segundo	Units 3 & 4 (St)	3 – 335 MW 4 – 335 MW	1964 1965	10,451
Long Beach	Units 1-7 (CTs & HRSGs) Unit 8 (STG) Unit 9 (STG)	57 MW/ea 80 MW 60 MW (<i>oos</i>)	1978 1943 1924	12,452
Encina	Units 1 – 5 (St) + CT	1 – 106 MW 2 – 103 MW 3 – 109 MW 4 – 299 MW 5 – 329 MW CT – 14 MW	1954 1956 1958 1976 1976	10,450 ~17,000
Cabrillo II	Kearny 1 (1 CT) Kearny 2 (4 CTs) Kearny 3 (4 CTs) El Cajon (1 CT) Division St (1 CT) Miramar (1 CTs)	15 MW 55 MW 57 MW 13 MW 13 MW 33 MW		~17,000
Totals		2295 MW		

Aging Power Plant Study (APPS)

WCP Concerns

- Capacity Market – APPS should examine what forms of capacity market and levels of capacity compensation might be required to retain older generation
- Resource Adequacy Requirements - APPS should examine how having mandated reserve procurement levels (as a form of capacity market) will incent existing power plants to remain in the market to supply intermediate, peaking and reserve requirements
- Deliverability Standards – APPS should examine if standards for energy deliverability to load are needed to alleviate congestion and increased congestion management costs to consumers

Aging Power Plant Study (APPS)

WCP Concerns

- Grid Reliability - APPS should identify aging plants that have unique power deliverability and grid reliability characteristics, owing to their siting in load pockets
- Redevelopment of New Generation - APPS should endorse redevelopment at existing in-load-pocket sites as good public policy, since it avails the use of existing infrastructure
- Preference for Redevelopment of Existing Sites— APPS should identify specific aging power plant sites that produce these benefits and articulate public policy mechanism(s) to preserve these benefits
- Time is of the Essence -APPS must be expedited so that the benefits of retaining aging power plants in the California supply fleet are recognized before economic retirements ensue

Previous WCP Testimony

- Existing generation will play a critical role between now and when new generation comes online
- Viability of existing generation requires capacity contracts
- Warned of 10,590 MWs are “at-risk” for premature economic retirement due to being uncommitted beginning 2005
- Existing sites are extremely valuable due to locations in load pockets and existing infrastructure
- Redevelopment of new generation on existing sites should become a priority for California

Outlook for Divested Power Plant Capacity In California: 2005 And Beyond

	Total	RMR Contracts	DWR Contracts*	Retired	Committed (RMR or DWR Contract)	"At Risk"
PG&E	7,511	2,615	0	652	2,615	4,244
SCE	9,234	750	960	1,294	1,710	6,230
SDG&E	1,968	1,852	0	0	1,852	116
Total MW	18,713	5,217	960	1,946	6,177	10,590

* DWR Contracts net of RMR contracted capacity

Notes:

1. Some of the divested capacity may be contracted to third-parties (ex. AES-Williams tolling)
2. The uncommitted portion of Calpine's Geysers (about 235 MW) may not be 'At Risk' (renewable), although it has neither DWR nor RMR contracts

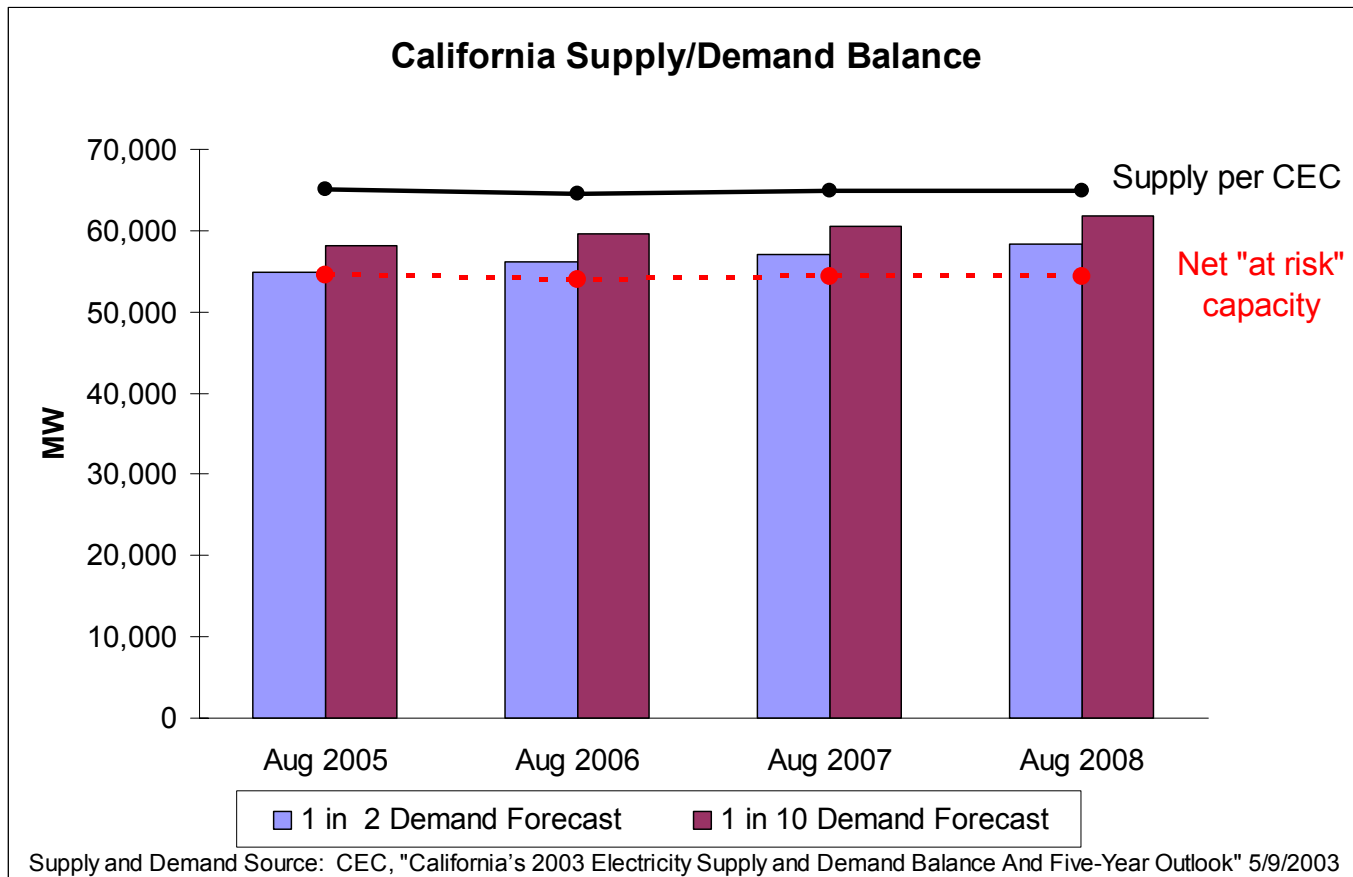
Data Sources:

Retirements: 2003 Summer Assessment, California Independent System Operator (CAISO)

RMR Contracts: 2004 LARS RMR Designations, CAISO

DWR Contracts: Text of DWR Contracts; Capacity committed (either unit specific or via portfolio) through at least 2005.

Supply/Demand Balance Accounting for At-Risk MWs



California's Current Situation

- Over 1,200 MWs have been retired since last October and another 600 MWs have been reported as potential shutdowns this year
- No Resource Adequacy Requirements
- No capacity markets
- No deliverability standards
- Load increasing in neighboring states
- Utilities have no incentive to contract past 3rd Qtr 05
- No transitional power contracts available
- RMR cost rising - higher O&M cost, efficiency decline

Obstacles to Preserving Existing Generation and Sites

- CPUC January 22nd Final Procurement Order:
 - Defers meaningful resource adequacy targets until Jan 2008
 - Defers the issue of deliverability standards
 - Does not provide how resource adequacy will be implemented and enforced
- CAISOs interpretation of payments under the FERC Must Offer requirements will not sustain existing generation
- CAISO further reducing Must Offer compensation effective with MD02 Phase 1b implementation
- Utilities unwilling to contract beyond 2005
- May require legislation

WCP Contributions to the Environment

- WCP has invested more than \$70 million in emission controls and technologies that significantly reduce air pollution
- WCP's environmental stewardship has been recognized by many organizations;
 - National Oceanic and Atmospheric Administration
 - San Diego Industrial Environmental Association
 - City of El Segundo
- Agua Hedionda Lagoon – Marine research, Aquaculture, Sea Bass hatchery
- Seawater Desalination Projects – Encina, El Segundo

Local Municipalities Issues

- Economic impact of existing generation on city budgets affected by:
 - Property Tax
 - Utility Users Taxes
 - Redevelopment Zone Fees
 - Vendors Sales Tax
- City of Carlsbad public use of inner lagoon
- Maintenance dredging of outer lagoon creates protected areas for Special Status Species
- Dredged sand is deposited on local beaches for sand replenishment